



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO
80204-2581

DEC 17 2003

Reply to
Attn of:

CACFP - 718

Subject:

Treatment of the Shared Maintenance Fee for Food Bank Donations in the Child and Adult Care Food Program (CACFP)

To:

STATE AGENCY DIRECTORS
(Special Nutrition Programs)

- Colorado DPHE, Iowa, Kansas, Missouri
DHSS, Montana DPHHS, Nebraska,
North Dakota, South Dakota, Utah and
Wyoming

The purpose of this memorandum is to provide guidance on the procedures for determining the allowable cost portion of the shared maintenance fees charged by food banks for donations to institutions and facilities participating in the Child and Adult Care Food Program (CACFP). Food banks charge a shared maintenance fee to outlets receiving the donation to cover the food bank's cost for receiving, warehousing and delivering food and nonfood items. Most food banks establish the shared maintenance fee on a per-item, per-pound or per-shipment basis. It has come to our attention that the treatment of the shared maintenance fee has been inconsistent across the country.

The shared maintenance fee is treated the same as a commercial supplier's shipping and handling charges. Therefore, the shared maintenance fees associated with the donation of food, food service and administrative supplies used in the CACFP program are allowable costs. However food banks, like some full line commercial distributors, also provide organizations with a variety of other items that are not used in the Program. In these situations, it will be necessary to determine the portion of the shared maintenance fee that applies to allowable costs, i.e., the food, food service and administrative supplies used in the CACFP and the portion that applies to items not used in the Program.

How to Allocate the Shared Maintenance Fee

When the shared maintenance fee is charged on a per-pound or per-item basis, the allowable cost portion is computed by multiplying the quantity of the items used for CACFP times the maintenance fee for that item.

When the maintenance fee is based on a per-shipment basis and the shipment includes donated items used for Program and nonprogram purposes, the receiving organization must allocate the maintenance fee on a reasonable basis. As long as the method results in a reasonable allocation between program and nonprogram items, any allocation method can be used. However, the easiest way to allocate the per-shipment maintenance fee is to convert the per-shipment charge into a per-pound or per-item charge for each shipment received.

Just as commercial suppliers assess different charges for frozen versus fresh versus non-perishable items, some food banks may charge a varying shared maintenance fee depending upon the type of item being delivered. In cases where fees differ by item type, care must be taken to use the correct fee per-item in the computation.

A food bank may also receive State emergency food subsidies, or other third party funding, intended to subsidize the shared maintenance fees paid by certain types of organizations. As a result, some food banks may use a varying fee structure.

Classifying Allowable Shared Maintenance Fees for CACFP

Depending on the items used in the Program, the allowable shared maintenance fee is either an operating cost or an administrative cost. The chart below demonstrates how to classify allowable shared maintenance fee costs.

Donated Item	Cost Category	Maintenance Fee
Fresh, frozen and dry foods and spices	Food	Operating Cost
Plates, utensils, napkins	Food service supplies	Operating Cost
Paper, pens, office supplies	Expendable supplies	Administrative Cost

The shared maintenance fee associated with items not used in the Program are unallowable costs. For example, items such as diapers and pet food cannot be charged as a Program cost.

Food Banks as CACFP Sponsors with Co-Located Meal Preparation

When a food bank is also a CACFP sponsor and the food bank prepares meals for its own facilities, computing the allowable portion of the shared maintenance fee requires special attention. As discussed above, the shared maintenance fee is established to cover the food bank's costs for receiving, storing and delivering donated items. When the sponsor's meal preparation facility is co-located with the food bank's storage facility, the food bank does not incur delivery costs for the donated foods used at its meal preparation facility.

While the components of the shared maintenance fee should be allocated to exclude these delivery costs, the State agency may waive this requirement. In order to waive the requirement, the State agency must determine that the time and effort needed to perform the allocation outweighs the benefits to be received.

When the food bank delivers meals to its sponsored facilities, the cost of delivering meals to these off-site locations is an allowable operating cost, but is a separate cost apart from the shared maintenance fee.

Food Bank as a Vendor

A food bank that vends meals to other Child Nutrition institutions is treated the same as any other vendor that participates in the bid process. Since the food bank submits a bid price, the shared maintenance fee issue does not arise.

If you have any questions or concerns, please contact our office at 844-0354.



DARLENE SANCHEZ

Regional Director

Special Nutrition Programs